
WISCONSIN BROWNFIELD ENVIRONMENTAL LIABILITY INSURANCE PROGRAM

Program Design and Insurance Specifications

Prepared for



The State of Wisconsin

Department of Administration and Department of Natural Resources

Prepared by

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INTRODUCTION

Arthur J. Gallagher & Co. (AJGCo.) is the environmental risk and insurance advisor and broker for the State of Wisconsin. Gallagher Environmental Risk and Insurance (GERI), an environmental risk and insurance expertise group within AJGCo., provides these services to the State. Kenn Anderson, the GERI Managing Director, is the lead contact person for the State within AJGCo.

As part of its services, AJGCo. is tasked with designing, negotiating and implementing an environmental liability insurance program for parties participating in brownfield redevelopments throughout the State. The working title for this insurance program is the “Wisconsin Brownfield Environmental Liability Insurance Program (WBELIP).”

The design and insurance specifications presented herein are based numerous meetings with the State and member of the Brownfield Study Group (BSG).





September 25, 2003

BACKGROUND

The State and the members of the BSG believe that there are some risks that are possible in brownfield redevelopments that can best be addressed through insurance. As shown in the specifications below, there are 2 types of sites that we envision being insured through this program:

1. Category 1 is comprised of sites either in the State's Voluntary Party Liability Exemption (VPLE) process or are going through the State site closure process but are undertaking similar steps found in the VPLE (see attached VPLE overview). These similar steps would include the State's review and approval of the Phase I and II environmental site assessments, Site Investigation (SI) and Remedial Action Plan (RAP).
2. Category 2 are sites that have gone through the standard State's site closure process and have received closure for a specific issue(s).

We are **not** looking to insure sites that do not have Phase I and Phase II (if Phase II was recommended in the Phase I) Environmental Site Assessments that are going through the State closure process.

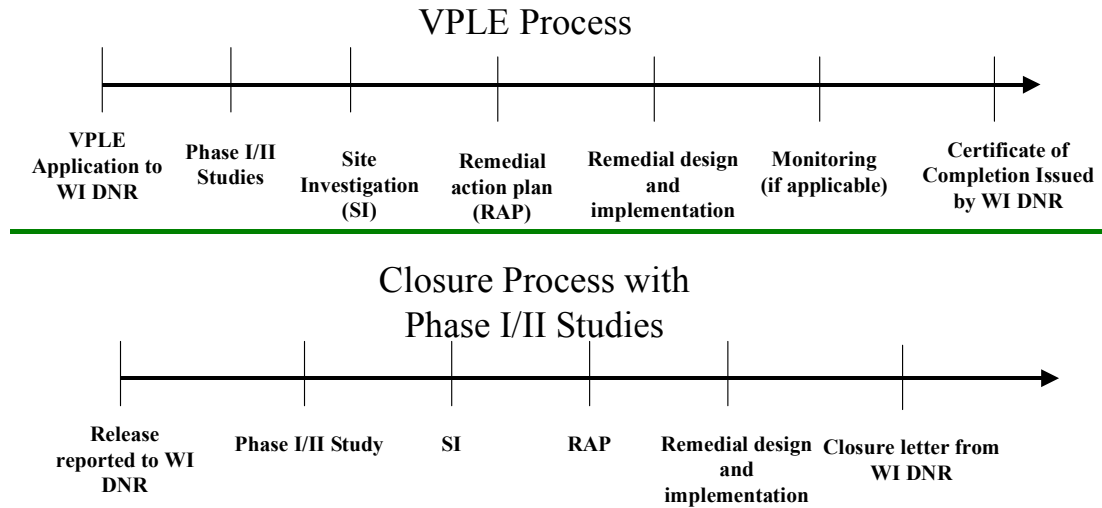
A graphic representation of the typical timelines VPLE and Closure process for Category 1 sites is shown below.



September 25, 2003



VPLE and Closure Timelines



BROKERAGE DESIGN

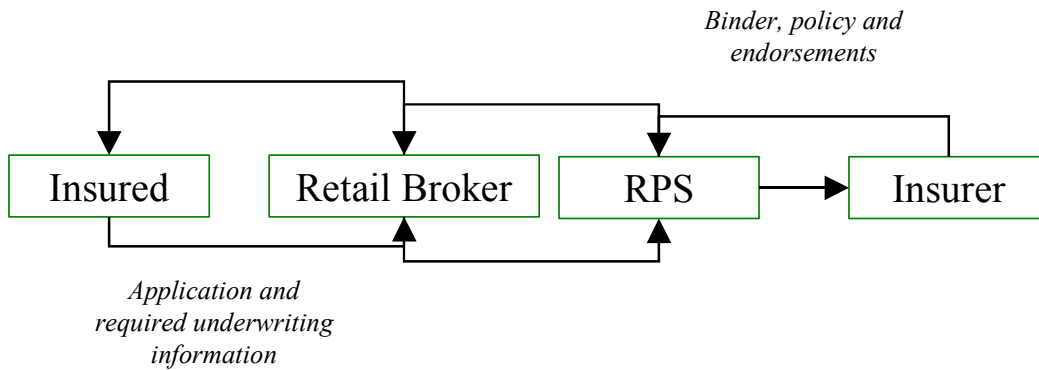
AJGCo. will broker the WBELIP opportunities through its wholesale insurance brokerage division, Risk Placement Services, Inc. (RPS). This will allow for the most efficient brokerage and allow the greatest access to retail brokers throughout Wisconsin. A graphic depiction of the brokerage arrangement is shown below.



September 25, 2003



WBELIP Brokerage Flowchart



Our ultimate goal is to create a process and a defined set of parameters that, when met, will give an insured specific coverage at a predetermined price. The insurance specifications are shown below.

PROGRAM DESIGN

Tables 1 and 2 represent the program design for the WBELIP. Table 1 overviews the basic terms sought to implement a pollution/environmental liability insurance program for participants. Table 2 overviews the basic terms sought to implement a remediation/cleanup cost cap program for the participants.



WBELIP Program Design and Insurance Specifications (continued)

September 25, 2003

TABLE 1 - WBELIP INSURANCE SPECIFICATIONS	
Pollution/Environmental Liability Insurance	
Issue	Description
Insured	Individual entities in a Wisconsin Brownfield Cleanup
Additional Insured	An endorsement that (1) automatically gives additional insured status to lenders, (2) allows flexibility in naming multiple interested parties as additional insureds (e.g., buyer or seller of property, developers, future site owners, and (3) specifies terms for assignability of the policy.
Policy Type	A fixed-site pollution/environmental liability insurance policy.
Insured Location	<p>The specific subject brownfield site. In general, these sites are summarized into 2 categories:</p> <ol style="list-style-type: none"> 1. Category 1 is comprised of sites either in the State's Voluntary Party Liability Exemption (VPLE) process or are going through the State site closure process but are undertaking similar steps found in the VPLE. These similar steps would include the State's review and approval of the Phase I and II environmental site assessments, Site Investigation (SI) and Remedial Action Plan (RAP). 2. Category 2 are sites that have gone through the standard State's site closure process and have received closure for a specific issue(s).
Not Insured under the WBLIP Program	Sites that do not have Phase I and Phase II (if Phase II was recommended in the Phase I) Environmental Site Assessments that are going through the State closure process.
Policy Inception	<p>Coverage can be bound when a Category 1 site is at a stage (see figure above) comfortable enough for the insurer (to be determined). For example, at the State's approval of the Phase II, or the State's approval of the Site Investigation, or the State's approval of the Remedial Action Plan.</p> <p>Coverage is bound for Category 2 sites when the application and underwriting information is submitted to the insurer.</p>



WBELIP Program Design and Insurance Specifications (continued)

September 25, 2003

TABLE 1 - WBELIP INSURANCE SPECIFICATIONS	
Pollution/Environmental Liability Insurance	
Issue	Description
Coverage Requirements	<p>For Sites in Category 1:</p> <ol style="list-style-type: none"> 1. Cleanup of previously unknown contamination (by type, not volume) on and/or emanating from, the insured location. (E.g. any type of contamination not the subject of the cleanup in the RAP). 2. Third party claims for bodily injuries caused by pollution conditions (known and unknown conditions) on and emanating from the insured location. 3. Third party claims for property damage caused by pollution conditions (known and unknown conditions) on and/or emanating from the insured location. 4. Business income interruption losses, including soft costs, incurred by the named insured due to the cleanup of previously unknown contamination (by type, not volume). 5. Third party claims related to pollution conditions at and/or emanating from non-owned disposal sites. 6. Third party claims related to the transportation of waste material from the insured location during remediation activities. <p>At the time of the State's issuance of a certificate of completion or closure letter:</p> <ol style="list-style-type: none"> 7. Coverage for future cleanup of the contaminants that were the subject of the RAP. Coverage examples would include cleanup claims by third-parties, actions by the Federal government, and/or re-openers by the State for non-VPLE sites. <p>For Sites in Category 2:</p> <p>After the State's issuance of a Closure letter:</p> <ol style="list-style-type: none"> 1. Coverage only for future cleanup of the contaminants that were the subject of the Closure and/or RAP. Coverage examples would include cleanup claims by third-parties, actions by the Federal government, an/or re-openers by the State. 2. Third party claims for bodily injuries caused by the contaminants that were the subject of the Closure and/or RAP on and emanating from the insured location. 3. Third party claims for property damage caused the contaminants that were the subject of the Closure and/or RAP on and emanating from the insured location. 4. Business income interruption losses, including soft costs, incurred by the named insured due to additional cleanup the contaminants that were the subject of the Closure and/or RAP on and emanating from the insured location. 5. Third party claims related (bodily injury, property damage and cleanup) caused by pollution conditions emanating from non-owned disposal sites that were used to dispose of contaminants that were the subject of the Closure and/or RAP.



WBELIP Program Design and Insurance Specifications (continued)

September 25, 2003

TABLE 1 - WBELIP INSURANCE SPECIFICATIONS	
Pollution/Environmental Liability Insurance	
Issue	Description
Additional Coverage Requests	1. Flexibility in Additional Insured status for (1) lenders/financers and/or (2) future site owners. 2. Flexibility in assigning the policy to future site owners
Retroactive Date	None
Policy Term	1-year, with options for 3-, 5- and 10-year policy terms.
Policy Limits	Option 1: \$1,000,000 each incident and policy aggregate Option 2: \$3,000,000 each incident and policy aggregate Option 3: \$5,000,000 each incident and policy aggregate Option 4: \$10,000,000 each incident and policy aggregate
Policy Deductible and Premium Structure	To be determined

TABLE 2 - WBELIP INSURANCE SPECIFICATIONS	
Cleanup Cost-Cap/Remediation Stop-Loss Insurance	
Issue	Description
Insured	Individual entity hiring the remediation contractor(s) for a Wisconsin Brownfield Cleanup
Additional Insured	An endorsement that automatically gives additional insured status to lenders.
Policy Type	A cleanup cost-cap/remediation stop-loss policy.
Insured Location	A site that is either in the State's Voluntary Party Liability Exemption (VPLE) process or are going through the State site closure process and has the State's review and approval of the RAP.
Policy Inception	Coverage can be bound when the State-approved Rap, corresponding cost estimates and application is provided to the insurer.
Coverage Requirements	Cleanup of known and unknown contamination on and/or emanating from the insured location.



WBELIP Program Design and Insurance Specifications (continued)

September 25, 2003

TABLE 2 - WBELIP INSURANCE SPECIFICATIONS		
Cleanup Cost-Cap/Remediation Stop-Loss Insurance		
Issue	Description	
Additional Coverage Requests	Flexibility in Additional Insured status for lenders/financers.	
Retroactive Date	None	
Policy Term	The length of the cleanup as shown in the RAP.	
Policy Limits	Estimated Cleanup Costs	Policy Limit
	Up to \$250,000	\$250,000
	\$250,000 to \$500,000	\$250,000
	\$500,000 to \$750,000	\$500,000
	\$750,000 to \$1,000,000	\$1,000,000
	\$1,000,000 to	Options of \$1,000,000 and \$2,000,000
	\$2,000,000 to \$4,000,000	Options of \$2,000,000 and \$4,000,000
Policy Deductible and Premium Structure	To be determined	